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Compiled By Mr. Sathish B R

'SURPLUS SUGAR OUTPUT LIKELY FOR TWO YEARS'

India is likely to witness surplus sugar production during the next two years on account of a bumper sugarcane crop.According to OP Dhanuka, CMD, Riga Sugar Company Ltd, production of sugar in 2017-18 marketing year (October-September) is likely to be close to 25.5 million tonnes (mt), a growth of 25 per cent over last year on higher sugarcane area.

The country's annual consumption is pegged at 24 mt.It is estimated that the area under sugarcane cultivation is higher at 49.88-lakh hectares this year compared to 45.64-lakh hectares in 2016-17.

"The rains have been favourable to us; with the kind of rains we have seen in 2016 after two consecutive years of drought, India is likely to produce a bumper cane crop during the next two years," Dhanuka told BusinessLine .

B/L-9/10/17

PROBATIONARY OFFICER ASPIRANTS ON RESERVE LIST SEEK JUSTICE, MOVE COURT

Group of 40 candidates on the reserve list of the Institute of Banking Personnel Selection (IBPS) for the post of probationary officer for 2016-17 has approached the Bombay High Court seeking justice in the recruitment process.

This is after IBPS, an autonomous body mandated with recruitment, selection and placement process, refused them employment despite having a 'huge number of non-joining vacancies' in the participating public sector banks.

One of the petitioners, who did not want to be identified, said that 10 per cent of the total candidates considered in the first round of allotment is kept in the reserve list for the post of probational officers or management trainees.

B/L-10/10/17

OILMEAL EXPORTS UP 85% IN APRIL-SEPT

Oilmeal exports in the first half of the current financial year grew by 85.35 per cent to 11.01 lakh tonnes (lt) aided by better domestic output and global prices.The shipments stood at 5.94 lt during the corresponding period last year.The Solvent Extractors Association of India, the apex trade body for the vegoil industry, said oilmeal exports have revived to some extent this year owing to higher output last year on account of good rains after two straight years of drought. The improving price parity in the world market has also boosted shipments.
B/L-11.10.17

OPEC SEES INDIA'S OIL DEMAND RISING OVER 150% BY 2040
OPEC

Expects India's oil demand to increase by over 150 per cent to 10.1 million barrels per day by 2040 from around 4 million barrels per day currently.Crude oil supply from non-OPEC countries is unlikely to impact the Organization of the Petroleum Exporting Countries, and it will continue to be the main supplier for consumers such as India.
B/L-12.10.17

GEM AND JEWELLERY TRADERS HAIL GOVT'S MOVE TO LIFT ANTI-MONEY LAUNDERING LEGISLATION

Ahead of Diwali, there is cheer within the gem and jewellery fraternity over the Indian government's decision to take the sector out of anti-money laundering legislation.This has been widely welcomed after the trade was hit by a series of unfriendly legislations over the last one year, including demonetisation on November 8 last year, followed by the introduction of Goods and Services Tax on July 1. There has been palpable unease, anxiety and uncertainty within the industry in recent months.

B/L-13.10.17

COTTON PRICES RISE AS RAINS IMPACT HARVEST, ARRIVALS

Cotton prices have firmed up over the past few days after unexpected rains in the key growing regions of Maharashtra, Gujarat, Madhya

Pradesh and Telangana and other States delayed the harvest of the fibre crop. Also, an increase in buying by millers, has contributed to the bullish trend in both the spot and futures markets.Cotton futures on MCX for October delivery gained from Rs. 18,510 per bale (170 kg) to Rs. 19,170 within a week after hitting a peak of Rs. 19,250. At the spot market in Rajkot, prices moved up from Rs. 18,610 to Rs. 19,130 per bale.Though raw cotton has started arriving in Punjab, Madhya Pradesh, Gujarat, Maharashtra and Andhra Pradesh, full-fledged arrivals are expected in the second week of November, trade sources said. This is putting additional pressure amidst increased buying from the mills. Prices of old cotton crop are hovering at around Rs. 5,500 per quintal for raw cotton, while fresh cotton, due to its higher moisture content, quoted lower in the range of Rs. 4,500-5,000 per quintal.

B/L-14.10.17

TRADE NEWS

GST: REFUNDS TO EXPORTERS IN TWO MONTHS, SAYS REVENUE SECRETARY

The government will clear pending GST refunds of exporters by November-end and over the next six months no tax will be levied on exports as the Council has decided to revert to the pre-GST era, Revenue Secretary said. Over July-August, an estimated ₹67,000 crore has accumulated as the Integrated GST (IGST), of which only about ₹5,000-10,000 crore will be due as refunds to exporters, Revenue Secretary said. While no tax has to be paid on goods to be exported in the remaining months of the current fiscal, from April 1 an e-wallet service will be launched that will give exporters notional credits that can be used to pay GST, Revenue Secretary said.

The credit in the wallet would be transferable. Under GST, exporters are required to first pay Integrated-GST on manufactured goods and claim refunds after exporting them. This put severe liquidity crunch, particularly on aggregators. To ease their problems, the GST Council on Friday decided a package for them that includes extending the

Advance Authorisation / Export Promotion Capital Goods (EPCG) / 100 per cent EOU (Export-Oriented Unit) schemes to sourcing inputs from abroad as well as domestic suppliers till March 31, thus not requiring to pay IGST. “For a period of six months we are actually reverting back to the pre-GST scenario (where manufacturing exporters or those who manufacture goods for exports did not pay any tax). So, they have no reason for any complain now,” Revenue Secretary said.

GST COUNCIL GIVES RELIEF TO EXPORTERS

In a relief to merchant exporters, the GST Council fixed a tax rate of 0.1 per cent on goods procured for export purposes. The merchant exporters would also be allowed to obtain refund of 0.1 per cent tax paid on export of goods, a senior finance ministry official said. An official statement said that to prevent cash blockage of exporters due to upfront payment of GST on inputs, the Council approved two proposals. "One for immediate relief and the other for providing long term support to exporters. Immediate relief is being given by extending the advance authorization (AA)/ Export Promotion Capital Goods (EPCG)/100 per cent EOU schemes to sourcing inputs from abroad as well as domestic suppliers," the statement said. It said that holders of AA/ EPCG and EOUs would not have to pay IGST and cess on imports. "Also, domestic supplies to holders of AA / EPCG and EOUs would be treated as deemed exports...and refund of tax paid on such supplies given to the supplier," it added. Further, specified banks and Public Sector Units are being allowed to import gold without payment of IGST.

"This can then be supplied to exporters as per a scheme similar to AA," it added. Exporters body Federation of Indian Export Organisations (FIEO) said this is a welcome move as merchant exporters account for over 30 per cent of country's exports and they usually work on thin margins of 2-4 per cent. The imposition of GST had made their costing haywire, particularly for products having higher GST rate, as they have to pay GST and seek refund after some time lag, FIEO said in a statement. From April 1, attempt would be made to launch an e-wallet facility for exporters to provide liquidity. For the functioning of ewallet facility, the Directorate General of Foreign Trade (DGFT) will prepare norms. FIEO had earlier said that micro and small exporters are particularly hit by GST as they have to borrow money to pay taxes. The availability of credit and more so the cost of credit is adversely impacting them and on account of this, the government should consider introduction of e-wallet for exporters, FIEO had said. It stated that under this facility, based on preceding year's exports and an average GST rate, e-currency is credited to exporter's account. Like a running account, money may be debited from the e- wallet when duty paid supplies have to be undertaken and the amount may be credited when the proof of exports is made available, it said.

GST BREATHER FOR SMEs, EXPORTERS WILL BOOST ECONOMY: ANALYSTS

The GST breather given to small and medium enterprises (SMEs) and exporters will address their liquidity issues, improve efficiencies and act as a shot-in-the-arm for the economy as a whole. The GST Council had on Friday hiked the threshold turnover for the composition scheme that allows SMEs to pay 1-5 per cent tax without going through tedious formalities. The government's move to relax IGST for six months and faster processing of refunds for exporters would address their liquidity issues and improve business efficiencies in the short-term, analysts at ratings agency Crisil said. "Also, reducing compliance burden for SMEs would widen the tax base under GST," it said in a report. The government has also eased the filing process for SMEs with a turnover of Rs 1.5 crore from monthly to quarterly.

The turnover limit for availing the composition scheme has been hiked from Rs 75 lakh to Rs 1 crore, enabling SMEs to pay taxes at concessional rates. Both these moves would widen the taxpayer base, according to Crisil. The government had earlier mandated reverse charge mechanism under which large entities pay taxes on behalf of their supplies from unregistered SMEs, creating an additional tax burden on large entities. Hence, they were preferring not to route through unregistered SMEs. "The latest GST Council meeting removed the reverse charge mechanism up to March 2018, which provides a short-term relief to SMEs," Crisil added.

GARMENT EXPORTERS PEEVED AS GOVT SLASHES DUTY DRAWBACK TO 2%

Garment exporters are facing uncertain future with the government slashing duty drawback to two per cent from 7.5 per cent with effect from October 1. The decision has hit exporters hard as they were gearing up to start booking orders for the peak season. Chairman, Apparel Export Promotion Council, said that the government has slashed the drawback on the pretext of GST but there are lots of taxes in the textile industry which are not covered under GST. For instance, Council said, there is no GST when cotton is sold to the yarn manufacturer. Similarly, the industry pays about six per cent embedded tax which is not covered under GST.

"The government cannot expect the industry to export our tax to other countries and still remain competitive in the global market. We have made a representation to the government to retain the drawback at the earlier level. Or else we will see a sharp fall in exports this fiscal," it said. Apparel export has been stagnating for the last few months due to intense competition from Bangladesh and Vietnam. In fact, garment export from Sri Lanka is gaining ground after it was accorded the preferential treatment to tap European market duty free. Indian exporters pay 10 per cent duty to tap markets in Europe. India's apparel exports to the US, the single largest market for India, has increased just 0.21 per cent between January and July to $2.33 billion. In contrast, exports from Vietnam to the US were up over 6 per cent at $6.52 billion during the same period. Regional Chairman, Federation of Indian Export Organisations (Southern Region), said the industry has requested the government to continue with duty drawback and Rebate of State Levies scheme till it puts up the system for smooth reimbursement of iGST (integrated Goods & Services Tax). The industry is facing huge funding problems with blockage of working capital due to delay in refunds. "Council has also appealed to the government to enhance the reimbursement of state taxes paid by exporters to 5.5 per cent (against 2-4 per cent offered now). If the government does not take a decision within a month, garments exports will fall drastically this fiscal," it added.

GOVT SEEKS SECTOR-WISE PLAN FROM INDUSTRY TO SPUR EXPORTS

Commerce Industry Minister asked Export Promotion Councils and industry associations to prepare a vision statement for their product group that would, in turn, help boost output and exports. In a stakeholders' consultation on exports, Commerce Minister also stressed the importance of export-led growth and the need to enhance competencies and the need to tap into the global value chain to enhance exports. During the meeting, exporters raised Goods and Services Tax-related issues including those leading to working capital blockage.

In the context of the mid-term review of the Foreign Trade Policy, exporters wanted incentives for more products under the Foreign Trade Policy and increase in the interest subsidy rates. The meeting also provided inputs for a new export strategy focussing on integrating India into the Regional/Global Value Chain, a stable Agri-Export Policy to provide remunerative returns to farmers, focus on high and medium technology sectors for exports, revisiting the focus area (overseas markets) approach and unleashing the potential of services such as tourism, professional services and ecommerce.

The meeting was attended by the Textiles and Information and Broadcasting Minister, the Minister of State for Commerce and Industry and senior government officials. Federation of Indian Export Organisations (FIEO) President suggested an export-linked employment Scheme to help job creation and migration of informal workers to formal sectors.

FIEO also demanded an annual interaction with the bankers to impress on the pro-active role that they have to play to facilitate country's exports. To help small exporters in marketing of their goods, FIEO Chief suggested opening of display centres in important markets starting with China where a change is required in product profile of exports to address rising trade deficit. FIEO Chief also mooted an annual interaction with Ambassadors of Foreign Missions in India and Indian Missions abroad so that they can enhance the commercial and economic ties between India and its trade partners.

Commerce Minister said that there was a need to revisit the export strategy in view of increasing protectionism in markets overseas and high volatility in currencies. Commerce Secretary said GST issues are not the reason for delay in bringing out the mid-term review of the FTP. On achieving the target of $900 billion worth goods and services exports by 2020, she said it would be difficult due to global uncertainties.

INDIAN EXPORTS TO CHINA UP BY 40.69% IN JAN-AUG PERIOD

India's exports to China, which have been showing signs of revival this year after years of slump, registered a 40.69 per cent rise year-on-year to reach $10.60 billion in the first seven months of 2017. Fired by exports of zinc, iron ore and steel, total Indian exports to China registered a 38.6 per cent increase year-on-year in August this year totaling to $1.26 billion, the sharpest increase this year.

However, the trade deficit expanded to $44.51 billion in the first seven months despite surge in Indian exports as imports from China continue to increase. The India-China bilateral trade increased 18.34 per cent year-on-year to reach $55.11 billion from January to August this year, according to official data accessed. India's exports to China increased by 40.69 per cent year-on-year to reach $10.60 billion during the seven months.

India's imports from China saw a year-on-year growth of 14.02 per cent to reach $44.50 billion. The cause for surge of Indian exports to China was a result of an exponential increase of 353.99 per cent of exports of zinc and related items, 248.19 per cent of iron and steel and 100.7 per cent increase in ores and slag and 151.17 per cent rise in copper. India was the second largest exporter of diamonds to China totalling to $1.63 billion with a market share of 32.97 per cent after South Africa.

India was the second largest exporter of salt, sulphur, earths and stone, plastering materials, lime, and cement to China totalling to $692 million with 17.39 per cent market share after Turkey. India's cotton exports, including yarn and woven fabric, to China showed a growth of 6.77 per cent to reach $844 million. The country was the third largest exporter of cotton to China after Vietnam and the US accounting for 15.05 per cent share in the Chinese market. India-China bilateral trade increased by 14.93 per cent year-on-year in August to reach $7.51 billion.

Despite the increase in Indian exports to China, Indian business and trade circles associated with bilateral trade however, advise caution as it is mostly led by iron ore and steel exports which started declining in 2013 due to a domestic crackdown on mines as well as China scaling down its steel production due to the global economic crisis.

The trade deficit began expanding ever since iron ore exports, the mainstay of Indian exports started declining. Last year, the trade deficit climbed to $52 billion. India has been pressing China to open up its pharmaceutical and IT software sectors to expand the base of Indian exports.

INDIA TO EXPORT FIVE LAKH TONNE RICE TO BANGLADESH

In a first of its kind arrangement between India and Bangladesh in recent years, India would 5 INTRADE UPDATE be exporting around 5 lakh tonne of parboiled rice to Bangladesh for meeting its domestic demand and creating a buffer stock. Sources said that the India government has authorised agri cooperative Nafed to export rice to Bangladesh. At present, Bangladesh is facing a shortfall of 1.5 million tonne (mt) of rice this year due to crop losses by heavy flooding in the recent months. Bangladesh's ministry of food has called a meeting on October 15 to decide on the prices and time-frame for supply of rice from India. As the rice exports would be carried on a G2G (government-to-government) basis, there would not be any tender for rice exports from India. Around 1.5 lakh tonne of rice has been already exported to Bangladesh by private trade this fiscal year. Nafed is expected to source parboiled rice from eastern states such as Chhattisgarh, Bengal and Odisha for exports to Bangladesh as the region has similar food habits.

Meanwhile, in a bid to boost domestic rice supply, Bangladesh has cut import duty on rice twice in last couple of months. Recently, the import duty was slashed to 2% from existing 10%. In June, the import duty was slashed to 10% from 25%. Earlier this year, the Bangladesh government had set a rice production target of 19.1 mt, but floods in the northeastern region have damaged around 2 mt rice. "One thing needs to be clear that the decision to import doesn't mean that there's a crisis. The stock in government warehouses as well as the supply in market is ample," Bangladesh food minister Qamrul Islam said recently. Currently, the price of common variety of rice in Bangladesh is around taka 50 ($0.62), which is an increase of more than 78% from 28 taka a kg prevailed about four month ago. Around 75% of requirement in Bangladesh is of parboiled rice while the rest is of white rice. However, India's domestic rice prices are expected to be soften as kharif paddy for 2017-18 crop year (July-June) has started to arrive in the market.

India produced a record 110 mt rice in crop year (2016-17) while in the current year, the output could decline marginally because of patchy monsoon rains in some of the key growing areas. India is the world's largest exporter of rice with annual shipment of more than 10 mt for last couple of years. Trade sources said that India is well-placed to supply rice, because of physical proximity to Bangladesh compared to Vietnam, Thailand and Cambodia. The cargo consignment from India can reach Bangladesh within a day via land, or 3-4 days via the sea.

SEZs SEE 15.4% GROWTH IN Q1 EXPORTS

Exports from special economic zones paced up 15.4 per cent to Rs.1.35 lakh crore during the first quarter this fiscal, showed commerce ministry data. Analysts stated that exports are growing from these zones, but observed that the government should do more to step up shipments. "In the GST regime, units in SEZs have advantage compared to the units in domestic tariff area," Chairman of Export Promotion Council for EOUs and SEZs pointed out. Council felt that Centre should set up a proper refund mechanism for duties to be paid by SEZs when they buy products from outside these zones. Exports grew about 12 per cent to Rs. 5.24 lakh crore in FY17 as against Rs.4.67 lakh crore in the previous fiscal. These zones have attracted investments worth Rs.4.33 lakh crore up to June this year, it showed.

LEATHER FOOTWEAR EXPORTERS FACES MULTIPLE CHALLENGES: ICRA

The appreciation in the value of the rupee against major currencies, weak consumer sentiment in the European Union (EU) and significant drop in the value of the British pound (GBP) has hit footwear exporters hard and they are now focussing on domestic market to fare better, a report said here. Leather and leather footwear export has been 6 INTRADE UPDATE facing significant hurdles due to a challenging internal as well as external environment. Demand has been impacted due to the weak consumer sentiment in the European Union (EU) - the biggest destination of India's footwear exports and a significant drop in the value of the British Pound (GBP) following the vote on referendum to exit the European Union, rating agency ICRA said in its report. The sector is also facing headwinds due to appreciation in the value of the rupee against major currencies and recent regulatory restrictions placed on slaughter of animals and on leather tanneries, impacting raw material availability. Because of these factors, the export figures show a decline for two consecutive years, by 9 per cent in FY16 and 5 per cent in FY17. "On the other hand, the revenue of those entities, which are focussed on domestic market is likely to see healthy improvement, once the impact of demonetisation and GST wanes out, and these players are likely to report better credit metrics," ICRA said.

WEAK GLOBAL ECO CONDITIONS MAY HIT PHARMA EXPORTERS

Weak economic and political conditions in Africa, currency volatility in Latin America and a weak recovery in CIS countries are likely to affect medium term growth of Indian pharmaceutical exporters, a report said. "Weak economic and political conditions in Africa and currency volatility in Latin America (LATAM) are likely to weigh on the consumption of pharmaceutical formulations and pressure medium term growth prospects for Indias exporters," rating agency India Ratings and Research said in a report here. In FY'17, India's exports of pharmaceutical formulations or finished products to the semiregulated markets grew at the weakest pace of 0.7 per cent in the last seven years, after exhibiting robust growth till FY'14. The under-performance in FY17 was attributed to a 7 per cent y-o-y and 5.1 per cent y-o-y decline in exports to Africa and Latin America, respectively, while exports to Commonwealth of Independent States (CIS) countries recovered slightly by 2.9 per cent yo-y. Exports to the African markets declined due to ongoing economic and political instability which weakened local currencies, according to the report. Exports to Middle East rebounded at 33.4 per cent y-o-y in FY17 on the back of improving economic conditions, political stability in non-Gulf Cooperation Council (GCC) Middle Eastern countries and increasing mandatory insurance in GCC countries. The agency expects weak macros to protract export slump in Africa and LATAM, a weak recovery in CIS countries and moderate growth in exports to Asia and the Middle East for the near to medium term. Most Indian exporters are rationalising presence among semi-regulated markets, avoiding markets where risks outweigh opportunities. Exports to Venezuela have been restricted after the sharp devaluation of Venezuelan bolivar by 32.2 per cent since March 2014.

Exporters maintained a cautious approach towards Russia, following a sharp depreciation in the Russian rouble in FY15, with a weak recovery in exports despite currency gains in FY17. Despite the export underperformance in FY'17, the long-term underlying fundamentals of the semiregulated markets remain intact. In the underdeveloped Africa, LATAM and Asia economies, the latent demand for the treatment of chronic diseases will boost generics uptake due to limited budgets and high out-of-pocket expenditure. Increasing drive for universal healthcare insurance in developing Asian markets and GCC countries is also likely to boost generics 7 INTRADE UPDATE uptake and benefit generics players over the medium to long term. Indian exporters are exploring new therapeutic opportunities in Asia, Latin America and the Middle East to deepen presence, build scale and maintain growth momentum, Ind-Ra said.

INDIA'S SHRIMP EXPORTS TO DO WELL IN 2017: REPORT

Amid uncertainties in the seafood trade, exporters from India have now a reason to cheer because the country, along with Chile, is expected to be the standout performer this year. India's seafood exports are set to surge 41 per cent largely owing to the bumper harvesting of vannamei shrimp. "Of the world's major seafood exporters, India and Chile are expected to be the standout performers in 2017. In India's case, bumper harvests of aquacultured Vannamei shrimp are the main factor in the expected $2.3 billion (41 per cent) increase in Indian seafood exports in 2017," said a report by Globefish, a unit of the Food and Agriculture Organisation (FAO), a specialised agency of the United Nations. The report titled Prices up for key species as improving economic conditions revitalise seafood demand analysed the market situation until June this year.

The report will provide respite to Indian exporters, especially when the European Union, the third-largest market, is contemplating and the high price for salmon a ban on Indian shrimp products would translate into a projected imports on quality grounds. rise of $1.6 billion (up 30 per cent). For Chile, a combination of a cent) in export value, it added. recovery in salmon harvest volumes Ecuador (primarily shrimp and tuna), Peru (primarily fishmeal and fish oil), and Norway (primarily salmon, ground fish, and small pelagics) will see substantial increases in exports this year.

On imports, both developed and developing markets are expected to perform well this year. Significant import growth has been forecast for the South East Asian emerging markets, while the traditional "big three" — the US, the European Union (EU), and Japan — would all see seafood demand boosted by improving economic conditions, said the report. Driven by robust demand growth worldwide, a substantial proportion of global production will be exported. The

value of world trade in fish and fishery products is expected to increase by 5.8 per cent to $150.9 billion this year. According to an earlier report of the FAO, India had emerged as the largest exporter of shrimp in the world by exporting 438,500 tonnes in 2016, up 14.5 per cent over 2015. The top five shrimp exporters in 2016 were India, Vietnam (425,000 tonnes), Ecuador (372,600 tonnes), Indonesia (220,000 tonnes), and Thailand (209,400 tonnes).

BANKING/TAXATION/ CUSTOMS

MERCHANT TEXTILE EXPORTERS SEE GST RELIEF EASING CASH-FLOW ISSUES

Textile merchant exporters have heaved a sigh of relief with the Central government allowing them to pay a nominal GST of 0.1 per cent on the goods manufactured for exports. The move will ease unnecessary blockage of working capital as, otherwise, exporters would pay the GST and wait for refunds. Merchant exporters account for 40 per cent of overall textile exports from India. After the roll out of GST, the government slashed duty drawback on garment exports to 2 per cent from 7.5 per cent. Chairman, Texprocil, said the facility given to merchant exporters on goods manufactured for export will ensure that they do not face cash flow problems. This apart, Texprocil said the measures exempting export promotion schemes such as Advance Authorisation Scheme and Export Promotion Capital Goods from GST till March-end should lead to a spurt in investments. Complimenting Finance Minister for the far reaching relief given to the exporting community at the GST Council Meeting held recently, Texprocil said the government has tried to resolve exporters' liquidity issues by ensuring that refund of GST paid in July and August will be done by October 10 and 18. The Council also reduced GST on Manmade Fibre Yarn to 12 per cent from 18 per cent and Duty Credit Scrips to zero from 5 per cent to boost exports. These measures would instil confidence in exporters and enable them to work towards achieving the export targets, it added.

GST: MSMEs MAY GET LOANS AT HIGHER COST

Working capital needs for all businesses will go up under goods and services tax (GST), but micro, small and medium enterprises (MSME) will face the prospect of loans at higher cost due to weak credit profiles, rating agency India Ratings and Research (IndiaRa) said. It added that large businesses would find the transition to GST easier due to better financial flexibility. Additionally, the working capital requirement for the majority of the participants in the manufacturing sector (steel, textile, auto and auto ancillary) will go up owing to the requirement to pay the entire tax at the point of the dispatch of goods from factory gates, and also for the movement to warehouses. However, increased working capital requirement for large corporates in the manufacturing sector is also likely to drive the bank credit growth. These businesses would also benefit from seamless input tax credit (ITC), which would lead to some savings in working capital and partially offset the impact of higher working capital.

“Ind-Ra estimates the increase in working capital requirement at 200-450 bp of revenue for the steel industry and at about 500 bp of net value addition across the value chain for the textile industry.

The increase in working capital requirement, as a proportion of revenue, would aid bank credit growth for large corporates,” the agency said. The working capital crunch faced by some companies under GST was primarily due to their ability to claim ITC as they lack the infrastructure to map the inventory held on the transition date with respective invoices.

This is accentuated by various GST Networkrelated technical issues and admissibility of these ITC claims.

ECONOMY

CORE SECTOR GROWTH CLIMBS TO FIVEMONTH HIGH AT 4.9% IN AUG.

Core sector registered a year-on-year growth of 4.9% in August – the highest since the 5.2% reading in March this year — thanks to a low base and good performance by coal and electricity, according to data released by the commerce and industry ministry. The performance of eight core industries – which comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP) – in August 2017, was higher than 3.1% in August 2016 and 2.6% in July 2017. Its cumulative growth during April to August, 2017-18 was 3%. According to rating agency ICRA, "Given the favourable base effect and the expected rebuilding of inventories prior to the festive season, we expect the IIP growth to improve in August relative to the initial estimate of 1.2% for July 2017." Coal production recorded 15.3% in August 2017, up from a low base of (-) 9.7% contraction in growth in August 2016. Electricity output grew by 10.3% in August from a low base of 2.2% growth in August 2016.

Steel production registered a 3% growth in August, down from 16.7% in August 2016, while cement sector growth fell to (-)1.3% in August from 3.1% growth in August 2016. Fertilizer output also contracted by (-) 0.7% in August as against 2.5% growth in the same month a year ago. Natural gas registered a 4.2% growth in August this year from a low base of (-) 5.9% fall in August 2016, while refinery products output stayed almost at the same level with 2.4% growth this August as against 2.5% growth in August last year. Crude oil production shrunk by (-)1.6% in August from negative growth of (-)3.9% in 2016.

- FIEO

ARTICLES

EXPORTS RISE 25.67% IN SEPT; ALL MAJOR COMMODITIES RECORD GROWTH

NEW DELHI, OCT 13: Ringing in festive cheer for exporters and policy-makers, goods exports moved to a higher growth trajectory in September, posting a year-on-year increase of 25.67 per cent to $28.61 billion.

All the top 10 commodity groups, ranging from engineering items to textiles, registered an increase in growth.This is the 13th consecutive month of growth for exports, but the rate of increase, so far, was mostly low.

The trade deficit, too, narrowed in September by 0.95 per cent to $8.98 billion, as the import growth rate was slightly lower than export growth, with gold imports declining by 5 per cent. Imports increased 18.09 per cent in September 2017 to $37.59 billion, according to an official release from the Commerce and Industry Ministry."Overall, it has been a fabulous performance and once the GST hurdles are behind us, exports would surely lead the India growth story again," said Engineering Export Promotion Council India Chairman TS Bhasin.

The acceleration in goods exports is good news for the government which is carrying out a sectoral study to come up with a plan to boost exports sharply and on a sustained basis.

Engineering success

Apart from engineering goods exports, which posted a sharp increase of 44 per cent during the month to $7.32 billion, other sectors that registered growth included gems and jewellery, petro products, organic and inorganic chemicals, readymade garments, drugs and pharmaceuticals, cotton yarn/fabs/made-ups, handloom products, marine products, rice and electronic goods.

Oil imports, at $8.18 billion were 18.4 per cent higher than in September 2016. Non-oil imports, at $29.40 billion, were 17.9 per cent higher. Gold imports came in at $ 1.71 billion.

The trade deficit in the first six months of this fiscal year increased to $72.12 billion compared with $43.35 billion in the first half of 2016-17.

- The Hindu

INDIA'S EXPORTS TO BANGLADESH BOUNCE BACK, RECORD 13% GROWTH IN FY17

KOLKATA, OCTOBER 22:
After a subdued show for two consecutive years, India's exports to Bangladesh reported a robust growth in 2016-17. The growth is attributed to a significant rise in export of equipment and high-value machinery for project implementation in Bangladesh.

According to the Commerce Ministry, exports to Bangladesh touched $6.8 billion in the fiscal year ending March 2017, recording 13 per cent growth. Total bilateral trade had hit an all-time high of $7.5 billion, up 11 per cent.

Bangladesh is the ninth largest importer of Indian goods. According to the Ministry, Indian exports increased by a modest 4.6 per cent ($6.4 billion) in 2014-15 and dropped by 6.4 per cent ($6.03 billion) in 2015-16.

Data confusion
There is, however, difference in trade data between India and Bangladesh. This is due to difference in accounting period (Bangladesh follows July to June accounting year) and difference in estimates between Bangladesh's Bureau of Statistics and the central bank.

According to the Bureau of Statistics, Indian exports dipped in the two preceding years before reporting 16 per cent growth to $5.7 billion (converted from Bangladeshi Taka) during the 11-month period from July 2016 to May 2017.

All statistics, however, show Bangladesh witnessed a marginal dip in exports in 2016-17, after a five-year long growth spell between 2011-12 and 2015-16. While Indian exports meet 11-12 per cent of Bangladesh's total import needs, India shares less than two per cent of Bangladesh's export basket, which primarily includes ready-made garments.

According to Selim Raihan, Executive Director of South Asian Network on Economic Modelling (SANEM) and a professor of Dhaka University, India and Bangladesh are yet to optimise trade potential vis-a-vis the significant bilateral cooperation.

One of the major reasons behind is the poor and costly trade logistics. Nearly half of the total trade (in value terms) is routed through Petrapole-Benapole land border by costly road transport. The non-containerised road cargo undergoes repeated loading and unloading operations at the border.

To add to the woes, the border infrastructure is far from adequate especially on the Bangladeshi side leading to congestion. In a recent study, SANEM indicated that Indian export consignments wait for 17-20 days to complete the customs procedure at the Bangladeshi gate of Benapole.

Poor trade logistics is reducing the price competitiveness of both Indian and Bangladeshi exports. According to Raihan, capacity augmentation at Petrapole-Benapole can increase bilateral trade significantly.

New initiatives

Indian observers believe conversion of road traffic to less costly rail, containerisation of cargo and multi-modal transport can reduce the trade logistics costs.

India recently approved ₹40 crore, in the third line of credit worth $4.5 billion to Dhaka, to help Bangladesh build a transhipment facility at Ishwardi that connects Gede-Darshana rail-link. It will help increase rail cargo by road. A parallel effort is on by both the countries to run container trains between Kolkata and Dhaka.

But the most promising news is from shipping sector. Though India and Bangladesh opened direct shipping last year; the cargo volume didn't grow to the expected levels due to congestion at Chittagong port in Bangladesh.

In a recent trend, Bangladeshi shipping lines started moving containerised cargo from Kolkata to the inland river port at Pangaon, barely 20 km from Dhaka. The port is equipped with container handling facility. Indian authorities are bullish that popularising this route can reduce trade costs significantly.

- The Hindu

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